

Product Review

iShares Global Aggregate Bond ESG (AUD Hedged) ETF

ISSUE DATE 18-01-2024

Key information

FUND MANAGER	BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED
ASSET CLASS	FIXED INTEREST
SECTOR	GLOBAL BONDS
SUB SECTOR	SMART BETA - PASSIVE
INVESTMENT TYPE	EXCHANGE TRADED FUND ('ETF') LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE ('ASX')
PDS OBJECTIVE	THE FUND AIMS TO PROVIDE INVESTORS WITH THE PERFORMANCE OF THE UNDERLYING INDEX, BEFORE FEES AND EXPENSES (INCLUDING THE COST OF HEDGING)
UNDERLYING FUND	ISHARES GLOBAL AGGREGATE BOND ESG UCITS ETF
INDEX PROVIDER	BLOOMBERG (IN COLLABORATION WITH MSCI)
UNDERLYING INDEX	BLOOMBERG MSCI GLOBAL AGGREGATE SUSTAINABLE GREEN BOND SRI AUD HEDGED INDEX
DERIVATIVE USE	MAY BE USED TO MANAGE RISK AND RETURN (CANNOT BE USED TO LEVERAGE THE FUND)
SECURITIES LENDING	YES (AT THE UNDERLYING FUND LEVEL)
LISTING DATE	AUGUST 2022
DISTRIBUTION FREQUENCY	TRI-ANNUAL
FUND SIZE	\$99.97M

Fees & costs (% per annum)

MANAGEMENT FEES AND COSTS	0.19
PERFORMANCE FEE COSTS	0
NET TRANSACTION COSTS	0
ANNUAL FEES AND COSTS (PDS)	0.19

WHERE MANAGEMENT FEES & COSTS IS NULL "-" NO DATA HAS BEEN PROVIDED AND THE ANNUAL FEES & COSTS (PDS) CANNOT BE CALCULATED. REFER TO THE PDS FOR THE FEE INFORMATION.

Daily trading information

TICKER	AESG
52 WEEK LOW	\$90.78
52 WEEK HIGH	\$97.70
LAST PRICE	\$96.36
LAST NET ASSET VALUE (NAV)	\$96.46
PREMIUM / DISCOUNT TO NAV (DAILY)	-0.001%
AVERAGE DAILY TRADED VOLUME	3,631
AVERAGE DAILY TRADED VALUE	\$348,558.7

What this Rating means

The 'Investment Grade Index' rating indicates that Lonsec has conviction the financial product can generate risk adjusted returns in line with relevant objectives. However, if applicable, Lonsec believes the financial product has fewer competitive advantages than its peers.

Strengths

- BlackRock is a leading global manager of passive strategies, allowing investors to enjoy the benefits of their scale, experience, and resources.
- The Fund utilises MSCI's well-established ESG research engine. MSCI has a demonstrable commitment to the fixed income market with a dedicated global team and well-defined ESG research methodology.
- The Fund's Annual Fees and Cost ('AFC') is attractive compared to peers.

Weaknesses

- The Underlying Index methodology is not widely available to investors. Lonsec notes however that this is relatively common to fixed income indices.
- Both the Fund and the Underlying Index are still building a track record over an investment cycle.
- The feeder-fund structure provides benefits of scale but has the potential to lead to higher tracking error risks over time. However, Lonsec notes the Manager has made recent changes to mitigate this risk.

Fund Risk Characteristics

	LOW	MODERATE	HIGH
BUSINESS SUSTAINABILITY RISK	●		
CAPITAL VOLATILITY			●
SECURITY CONCENTRATION RISK	●		
SECURITY LIQUIDITY RISK		●	
CREDIT RISK		●	
INTEREST RATE RISK			●
FOREIGN CURRENCY RISK		●	

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIometrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE				●			

A Standard Risk Measure score of 4 equates to a Risk Label of 'Medium' and an estimated number of negative annual returns over any 20 year period of 2 to less than 3. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

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	LOW	MODERATE	HIGH
RISK TO INCOME			●
Features and benefits			
	LOW	MODERATE	HIGH
COMPLEXITY		●	
ESG			●
Fee profile			
	LOW	MODERATE	HIGH
FEES VS. UNIVERSE	●		
FEES VS. ASSET CLASS	●		
FEES VS. SUB-SECTOR	●		

Fee BIOMetrics are a function of expected total fee as a percentage of expected total return.

What is this Fund?

- iShares Global Aggregate Bond ESG (AUD Hedged) ETF ('AESG' or 'the Fund') provides investors with exposure to a hedged portfolio of Australian and global bonds screened with ethical filters. Furthermore, the Fund incorporates a minimum number of 'green bonds' and excludes non-green bonds with MSCI ESG Scores of below 'BBB'. These exclusions are applied to the corporate, covered bonds, agency, and superannational sectors. However, Lonsec notes that this generally has a very limited impact on the available universe or overall portfolio structure.
- The Fund is passively managed by iShares by BlackRock ('the Manager') and aims to track the Bloomberg MSCI Global Aggregate Sustainable Green Bond SRI AUD Hedged Index ('the Underlying Index'). Bloomberg ('the Index Provider') has developed the Underlying Index in collaboration with MSCI's extensive global ESG research.
- The Underlying Index utilises 12 MSCI SRI filters to exclude non-government related securities associated with fossil fuels, tobacco, alcohol, gambling, weapons (including controversial, conventional, and nuclear), civil firearms, nuclear power, UNGC non-compliance, adult entertainment or genetically modified organisms, as well as an additional controversy screen in the ESG investment methodology of the Fund.
- Lonsec notes that the Fund is an Australian-domiciled fund that invests in the iShares Global Aggregate Bond ESG UCITS ETF ('the Underlying Fund'), an Irish-domiciled fund listed in the UK. The Underlying Fund constituents are denominated in various foreign currencies, however, are priced and hedged to AUD.
- The Underlying Fund has adopted a sampling approach to track the Underlying Index. Under this approach, the Underlying Fund will hold a representative basket of securities to closely match the risk profile of the Underlying Index. At the time of this review, the Fund's portfolio characteristics closely matched that of the Underlying Index.
- The Fund has not made a hedging election under the Taxation of Financial Arrangements ('TOFA') rules. BlackRock has noted that the Fund's structure (gaining indirect investment exposure through an AUD hedged UCITS share class) removes the need

for operationally complex hedge accounting at the Australian product.

- The Fund's PDS, dated 25 October 2023, disclosed Annual Fees and Costs ('AFC') totaling 0.19% p.a. This value comprises solely of the management fee and costs.

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- Lonsec notes that the Manager has produced a Target Market Determination ('TMD') which forms part of the Responsible Entity's Design and Distribution Obligations for the Fund. Lonsec has collected the TMD that has been provided by the Manager and notes that this should be referred to for further details on the Target Market Summary, Description of the Target Market, and Review Triggers.
- The Fund is a 'long only', fixed income product and as such, will generally sit within the defensive component of a balanced portfolio.
- Fixed income funds are useful for investors seeking yields greater than cash or cash equivalents and those prepared to accept a low to moderate level of asset price volatility.
- Global and Australian fixed income funds typically perform better during periods of declining or stable interest rates and contracting or stable credit spreads.

Suggested Lonsec risk profile suitability

SECURE	DEFENSIVE	CONSERVATIVE	BALANCED	GROWTH	HIGH GROWTH
	●	●	●	●	

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- The Manager has recently changed valuation methods for this Fund, valuing the ETF at NAV price rather than closing price in order to reduce the tracking error.
- Lonsec notes there have been no significant changes to the investment team, investment process, or risk management process since the last review.

Lonsec Opinion of this Fund

People and resources

- BlackRock is a global leader in ETFs with over 1,100 iShares ETFs listed globally. Further, BlackRock also had US\$5.95 trillion of FUM invested across its suite of ETF and Index strategies as at September 2023. These funds are managed and brought to market by BlackRock, one of the largest asset management firms globally. BlackRock has significant scale and resources for effectively managing and structuring ETFs both in Australia and abroad and has a proven track record of successfully running index strategies.
- Lonsec notes that the Fund's fund-of-fund structure, whereby it gains exposure to the Underlying Index via an underlying UK-listed iShares ETF ('iShares Global Aggregate Bond ESG UCITS ETF' or 'AGAUX'). As the Fund is an Australian-

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domiciled ETF, it is officially managed by the APAC EII Portfolio Engineering Team that is led by Derek Dei, Head of Asia Pacific ex Japan Portfolio Engineering. However, the underlying UK-listed ETF is managed by the EMEA Fixed Income Core Portfolio Management Team.

- The EMEA Fixed Income Core Portfolio Management Team is based in the UK and is led by John Hutson. Furthermore, the Fund's portfolio is managed by Tristan Hockin. These teams are further supported by the wider operational staff across BlackRock as well as in-house analysts and traders. There is also a Global Sector Specialist Team responsible for sector oversight, research, and analysis. The team continues to collaborate globally and utilise BlackRock's global presence which Lonsec believes adds to efficiency and scalability.
- Due to the quantitative approach to the construction of the index/portfolio and the breadth of resources available within BlackRock globally for the management of index funds, key person risk is considered to be lower than for active style funds.
- The Underlying Index is provided by Bloomberg in partnership with MSCI. Bloomberg is a globally significant and deeply experienced index provider, and MSCI is a global leader in the ESG research space. Lonsec considers MSCI to have an impressive ESG research engine globally, noting global breadth across over 8,500 companies (approximately 14,000 total issuers including subsidiaries), strong analyst support (+200 teams), and the efficacy of its methodology. Lonsec notes that the Underlying Index has a short operating history, however, only dating back to June 2021.

Investment approach

- Lonsec views the Fund as an efficient means to gain exposure to a broad set of global fixed income securities with an ESG overlay. The Fund capitalises on MSCI's well-established global ESG research and rating process, which demonstrates both breadth and is contemporary by covering factors such as ESG integration, values alignment (business involvement and norms/controversies screening), and impact investment. Lonsec considers that this engine provides strong rigour for the Underlying Index and believes the screening process and methodology used to derive the Underlying Index is logical, with implementation provided by an experienced third-party index provider in Bloomberg.
- Lonsec notes that the Fund is a feeder-fund for the UK-listed Underlying Fund. Historically, Lonsec found that the tracking error performance associated with this fund-of-fund structure has generally been exacerbated due to time time-zone differences with the underlying holdings and the listing market of the Underlying Fund. However, Lonsec notes that BlackRock will be referencing the Underlying Fund's NAV rather than the more common closing price methodology used across the industry in Australia with the aim of reducing this risk. The valuation approach is based on the NAV price of the Fund and limits the timing difference between the underlying share class valued at the closing price and the index. Lonsec takes comfort from BlackRock confirming it followed an internal governance process to evaluate

the appropriateness of this novel approach in Australia. Lonsec, however, will continue to monitor this valuation structure in future reviews to assess its effectiveness in meeting expectations.

- The Fund does not provide ESG coverage on government, government-related, or securitised issuers given the difficulty that MSCI has in obtaining the necessary data to conduct a review. As at 29 November 2023, Lonsec notes that the corporate sector accounted for approximately 14.02% of the overall portfolio NAV meaning that the ESG/SRI aspect of the screening only applies to a small segment of the holdings. However, utilising ESG screening solely amongst corporate issuers is common within the Fund's peer group as Lonsec notes the limitations in obtaining ESG data outside of corporate issuers. Overall, Lonsec believes that despite the efficacy of the screening process which results in a higher allocation to green bonds and better ESG outcomes, the Fund is somewhat limited by these constraints arising from the insufficiency of available data amongst government issuers.
- The Underlying Index is constructed such that it follows the currency, sector, and maturity composition of the Bloomberg Global Aggregate Index and thus while observing the efficacy of the ESG methodology, Lonsec notes that the Fund is very strongly correlated with the iShares Global Bond Index Fund (BGL0008AU). This indicates that despite the extensive ESG methodology, the ESG filtering, and weighting appear to currently have a minimal effect relative to the performance of the respective benchmarks and that the composition and weighting of the funds are very similar.
- Lonsec notes that each of the key characteristics of the Fund closely matched that of the Underlying Index. Moreover, a 'sampling approach' is commonly adopted for similar passive fixed income funds. While Lonsec considers that the 'full replication' approach could better match the risk and return characteristics of the Underlying Index at the margins, Lonsec concedes that such an approach is not optimal from a cost-benefit perspective for most fixed income indices due to a lack of liquidity in some securities. Given this, Lonsec considers a sampling approach to be the most effective means of hedging a Fund's exposure to the risk profile of the Underlying Index while also minimising trading costs. However, Lonsec expects that the sample size will increase over time as the Fund builds its size.
- Lonsec considers BlackRock's Aladdin risk management system to be impressive and notes that it allows stress testing for funds to be conducted in addition to the daily monitoring of the standard risk metrics for the Fund.

ESG Integration

- Lonsec's ESG integration assessment considers the rigour and structure of the ESG process for the Fund and how well it integrates into the investment process and the Manager's overall policy and reporting framework. The assessment is not intended to assess the underlying holdings of the Fund's portfolio or the Manager's adherence to any form of impact, green/sustainable, or ethical standards.

- ESG integration for index tracking portfolios is largely limited to stewardship and engagement activities unless ESG considerations are clearly incorporated within the index. As such, for non-ESG driven indices, the ESG score provided by Lonsec is primarily an assessment of the overall ESG adoption, commitment, and policy framework implemented at the Manager level. Further, Lonsec notes that simple sector exclusions do not constitute the incorporation of ESG.
- At the corporate level Lonsec views the Manager's overall ESG policy framework and disclosure as ahead of peers. The Manager has an articulated commitment to the integration of ESG within their investment process with clear public positioning and evidence of a strong policy framework. The updated ESG policy and stewardship principles are freely available on the firm's website. The proxy voting policy and reporting on voting outcomes is stronger than peers with particular credit paid to the disclosure of voting rationale for controversial votes. The level of disclosure with respect to the Manager's engagement policies and outcomes is considered ahead of peers, particularly the firm's stewardship policies. Reporting on engagement outcomes is publicly available and the Manager is transparent about the engagement priorities, which focus on disclosure and climate change related issues.
- The Underlying Index used for this Fund applies an extensive range of traditional ethical and basic controversy filters. Additionally, the construction of the index requires the securities to have a minimum ESG Rating and a green bond allocation of at least 10%.

Overall

- Lonsec has maintained the Fund's '**Investment Grade** Index' rating. Lonsec views the Fund as an efficient and cost-effective offering for investors to gain ESG exposure to the global fixed income market, albeit with some limitations with regard to its ESG methodology. Further, Lonsec believes the Fund is competitively priced within the broader peer group, particularly when factoring in the ESG overlay of the Fund. Additionally, the Fund leverages MSCI's well-established ESG research engine. Lonsec also considers BlackRock to be well resourced in terms of personnel and systems and to be a leader in the passive investment space.
- Lonsec notes the Fund and Underlying Index are building a track record, and Lonsec will look to gain further conviction in the Fund's strategy. Additionally, Lonsec considers the transparency of the Fund to be lower than some competitors among the broader passive fixed income universe, noting that the Underlying Index methodology is not publicly available to investors.

People and Resources

BlackRock Inc. is a global asset management business with products that span active, enhanced, and index strategies across markets and asset classes. As at September, BlackRock Inc. managed approximately US\$9.1 trillion. Products are offered in a variety of structures including separate accounts, mutual funds, other pooled investment vehicles, and iShares ETFs. BlackRock Inc is publicly listed on the New York Stock Exchange (NYSE) and the Company has a majority of independent directors. BlackRock Investment Management (Australia) Limited ('BlackRock') is a wholly-owned subsidiary of BlackRock Inc. BlackRock is the Investment Manager and Responsible Entity of the Funds. As at September 2023, BlackRock Australia had FUM of \$207.48 billion.

Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
JOHN HUTSON	HEAD OF EMEA SYSTEMATIC AND INDEX FIXED INCOME CORE PORTFOLIO MANAGEMENT	23 / 12
TRISTAN HOCKIN	PORTFOLIO MANAGER	23 / 12
DEREK DEI	HEAD OF ASIA PACIFIC EX JAPAN PORTFOLIO ENGINEERING	18 / 17

The APAC EII Portfolio Engineering Team which is led by Derek Dei, Head of Asia Pacific ex Japan Portfolio Engineering has formal responsibility for the Fund.

The investment team responsible for managing the Underlying Fund, that the Fund is invested in, is the London-based, EMEA Fixed Income Core Portfolio Management Team, which is managed by Tristan Hockin. However, the portfolio management resources are structured along asset class lines, rather than a more traditional active/passive demarcation, meaning several more portfolio managers are abreast of the portfolio characteristics.

Investment Approach

Overview

For the Underlying Fund, BlackRock employs a passive investment strategy to track the performance of the Underlying Index, before fees and expenses.

The Manager uses 'optimisation' to achieve the risk/return characteristics of the Underlying Index. Optimisation is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the Underlying Index. The securities selected are expected to have aggregate investment characteristics such as duration, maturity, credit ratings, yield, and liquidity similar to those of the Underlying Index.

BlackRock will also seek to utilise an internal crossing network where possible which is derived from its large asset base and diverse client roster. This capacity may serve to reduce the level of market executed trading and avoid brokerage costs and bid/offer spreads.

Underlying index

The Bloomberg MSCI Global Aggregate Sustainable Green Bond SRI AUD Hedged Index is constructed in partnership between index provider Bloomberg and MSCI's ESG research. The MSCI ESG component provides negative screening on issuers from selected industries that form a part of the investable universe, which stems from the Bloomberg Global Aggregate Index ('the Parent Index'). The benchmark includes investment grade fixed income securities across both emerging and developed markets issued by governments, government-owned entities, government-guaranteed entities, and corporates. This family of SRI indices was created in June 2021.

The Underlying Index was created by Bloomberg, which is also responsible for its maintenance. The minimum requirements of the Parent Index (and thus the investable universe) include:

- Have a minimum credit rating of investment grade (BBB- or above);
- Must be denominated in an eligible currency and meet the minimum issue size requirements (as defined by the Index Provider);
- Each security must have at least one year until maturity, regardless of optionality; and
- There is a range of exclusions, such as but not limited to convertible notes, inflation-linked / floating-rate issues, private placements, collateralised bond obligations, synthetic securitisations, hybrid capital securities, and perpetual securities.

The Underlying Index construction begins with a 'negative' screen of issuers, based on fundamental research, which generates revenue (various thresholds apply across categories) or is associated with:

- Tobacco;
- Alcohol;
- Gambling;
- Weapons including Controversial, Conventional, and Nuclear;
- Civilian Firearms;
- Nuclear Power;
- Adult Entertainment;
- Genetically Modified Organisms; or
- Fossil Fuels.

A controversy screen is also applied, which is designed to identify issuer involvement in notable ESG controversies related to their operations and/or products, and adherence to international norms and principles (UN Global Compact Principles and ILO Core Convention). MSCI's ESG research assigns a controversy score from 0 (worst) - 10 (best), and any issuer with a controversy score of '0' is automatically excluded from the Underlying Index.

Similar to the controversy screen, based on the UN broad arms embargo sanctions, Treasury, Sovereign, and Local Authority debt from the following countries are excluded: Central African Republic, Kyrgyzstan, Iran, Iraq, Lebanon, Libya, North Korea, Somalia, Sudan, Yemen.

The Underlying Index also employs a final exclusionary screen, with any issuers with a low MSCI ESG Rating (categorised as below 'BBB') excluded from the Underlying Index.

The remaining constituents are then weighted according to market capitalisation with a minimum of 10% exposure to 'green bonds'. Rebalancing of the Underlying Index occurs on a monthly basis.

INDEX METRIC	DATA
INDEX PROVIDER	BLOOMBERG
RESPONSIBILITY FOR INDEX CALCULATION	BLOOMBERG
MINIMUM ISSUE SIZE	VARIABLE BY MARKET/CURRENCY (E.G. US\$300M)
MATURITY	AT LEAST ONE YEAR UNTIL FINAL MATURITY
COUPON	FIXED-RATE COUPON
MINIMUM COUNTERPARTY CREDIT RATING	INVESTMENT GRADE ONLY
CURRENCY	MULTI-CURRENCY HEDGED TO AUD

Transparency

iShares' ETF [website](#) is both detailed and user-friendly. It is designed as a self-service website with information relating to performance, current holdings, and key risk characteristics for all iShares ETFs.

Bond indices tend to be both less transparent and less accessible to end-investors compared to equity market indices. Lonsec notes the constituents of the Underlying Index are the property of Bloomberg and are not publicly available without a subscription.

Liquidity

As at September 2023, the Fund managed \$89.9m in FUM which is moderately sized compared to its peer group of ESG bond ETFs. Lonsec notes that the Fund has a recent inception date, and expects the FUM to grow over the medium term.

The Fund offers investors liquidity via the ASX which is supported by dedicated market makers that are obligated to provide continuous liquidity to the market by maintaining pre-agreed spreads and volumes on the ASX.

The Fund's holdings are predominantly invested in liquid investment grade securities issued by global treasuries, government-related entities, and corporates. Investors should be aware that during normal market conditions, there should be reasonable liquidity for these securities. However, during periods of heightened volatility and market dislocation, liquidity has the potential to deteriorate significantly.

Fees and Indirect Costs

Lonsec considers the Fund's AFC to be at the lower end of its global ESG fixed income peer group. However, Lonsec notes that the ETFs within this peer group have differentiated strategies.

Additionally, Lonsec notes that the Fund's average bid / ask spread was 0.37% from inception to September 2023 which was high compared to its peer group. The bid / ask spread represents the average daily spread over a one-year period but may not reflect the actual spread incurred.

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Fee comparison

FUND NAME	AFC (% P.A.)	AVERAGE BID/ASK SPREAD (% P.A.)
ISHARES GLOBAL AGGREGATE BOND ESG (AUD HEDGED) ETF (AES6)	0.19	0.37
BETASHARES SUSTAINABILITY LEADERS DIVERSIFIED BOND ETF - CURRENCY HEDGED (GBND)	0.49	0.28
VANGUARD ETHICALLY CONSCIOUS GLOBAL AGGREGATE BOND INDEX (HEDGED) ETF (VEFI)	0.26	0.22

Source: ASX daily average bid / ask spreads over the 12 months to September 2023.

Performance

The Fund commenced in August 2022 and is still establishing a track record. Lonsec prefers to observe a Fund's performance over an investment cycle before drawing any meaningful observations on fund performance.

Risks

An investment in the Fund carries several standard investment risks associated with investment markets. These include economic, political, legal, tax, and regulatory risks. These and other risks are outlined in the relevant PDS and should be read in full and understood by investors. Lonsec considers the major risks to be:

Tracking error risk

The Manager seeks to minimise the tracking error against the index the Fund aims to track. There is no guarantee that this objective will be met. Additionally, the use of a feeder-fund structure has the potential to result in higher observed tracking error relative to holding investments directly. BlackRock has sought to minimise the potential for higher tracking error associated with the fund-of-fund structure by referencing the Underlying Fund's NAV rather than it's closing price in the Australian fund's valuation process.

Performance risk

The value of, and returns (if any) from an investment in the Fund will depend upon the performance of the index. There is no guarantee the value of an investment in the Fund will increase.

Interest rate risk

The movement in interest rates and bond yields directly impacts the net asset value of the Fund. Market prices of fixed-rate securities are typically inversely related to the movement of interest rates or bond yields. Duration is a measure of the interest rate risk in a fund.

Currency risk

The Fund invests through an AUD hedged vehicle. The Underlying Fund predominantly invests in assets that are denominated in non-A\$ currencies. A rise in the relative value of the AUD vis-à-vis the currencies in which the assets are denominated will negatively impact the market value of the assets (and vice versa) from an Australian investor's perspective. The Underlying Fund is managed on a 'currency hedged' basis to reduce

the impact of currency movements. While the Fund is managed on a fully hedged basis to reduce the impact of currency movements on overall performance, market movements and cash flows may move the Fund away from a fully hedged position.

Credit risk

Credit risk refers to the capacity or willingness of a borrower to repay its obligations as they fall due. Higher credit risk generally infers a greater risk of capital loss. As such, investors are exposed to the creditworthiness of the institutions the Fund invests in.

Market-making risk

The Fund takes on counterparty risk with regard to its market-making activities. Counterparties may default on their contractual obligations, potentially exposing investors to some financial losses.

Further information

Further information can be obtained by calling BlackRock on 1300 474 273 or visiting: www.blackrock.com/au.

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Quantitative Performance Analysis - annualised after-fee % returns (at 31-12-2023)

Performance metrics

	3 MTH	6 MTH	9 MTH	12 MTH
TOTAL RETURN (% PA)	5.25	2.95	2.64	4.90
STANDARD DEVIATION (% PA) *	-	-	-	5.94
EXCESS RETURN (% PA)	-0.21	-0.21	-0.21	-0.45
WORST DRAWDOWN (%)	-0.92	-3.08	-3.78	-3.78
TIME TO RECOVERY (MTHS)	1	1	2	2
TRACKING ERROR (% PA) *	-	-	-	0.39

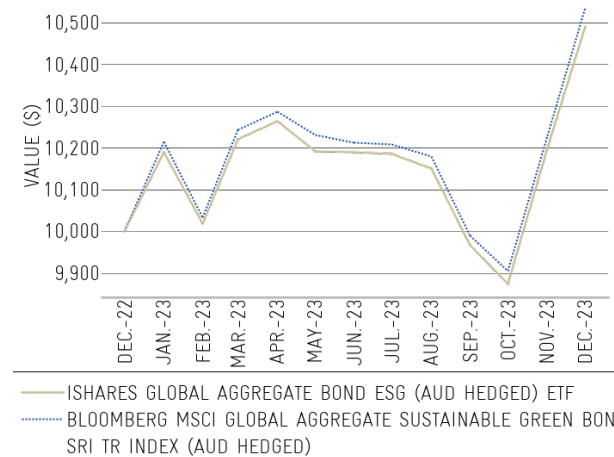
PRODUCT: ISHARES GLOBAL AGGREGATE BOND ESG (AUD HEDGED) ETF

PRODUCT BENCHMARK: BLOOMBERG MSCI GLOBAL AGGREGATE SUSTAINABLE GREEN BOND SRI TR INDEX (AUD HEDGED)

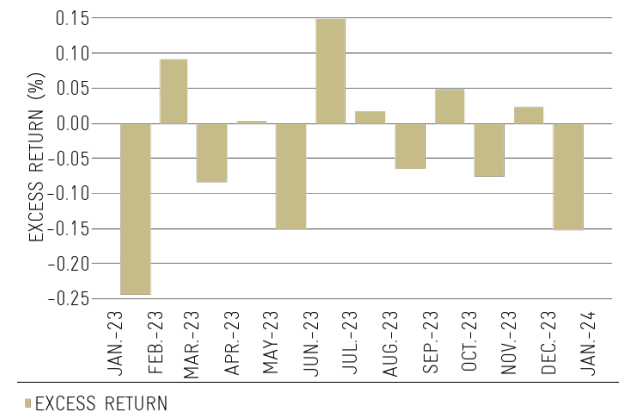
* PERIODS LESS THAN 12 MONTHS ARE NOT CALCULATED

TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

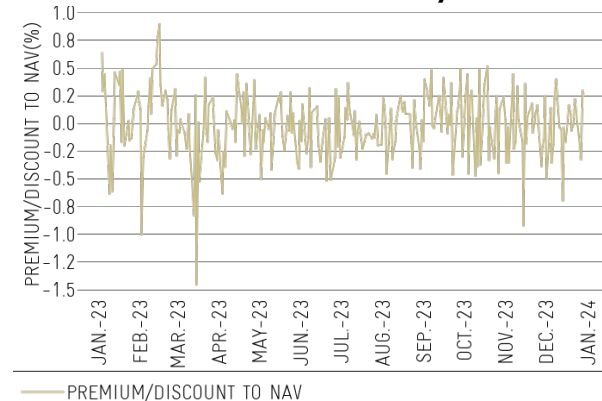
Growth of \$10,000 over one year



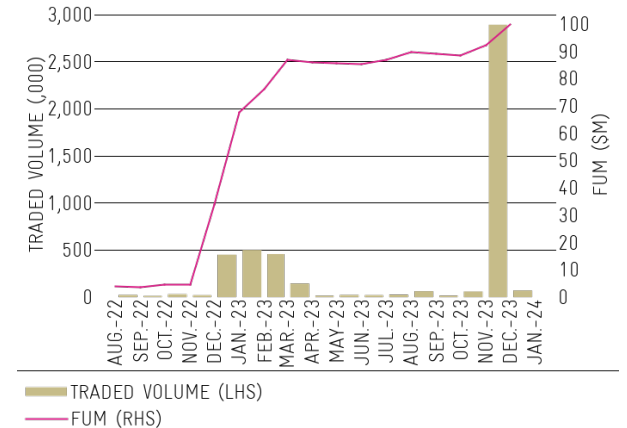
Monthly excess returns over one year



Premium/discount to NAV over one year



Traded Volume and FUM



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Glossary

[Click here for the glossary of terms.](#)

About Lonsec

Lonsec Research Pty Ltd (Lonsec) is an investment research house with specialist areas of expertise, that was originally established in 1994 and the current entity was registered on 23 June 2011. From 1 July 2011, Lonsec became a fully owned subsidiary of Lonsec Fiscal Holdings Pty Ltd, a privately owned entity with a multi-brand strategy of providing leading financial services research and investment execution. Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products.

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